
Serious Fraud Office

Annual Report and Accounts
2010-11

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2010-11
(For the year ended 31 March 2011)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government
Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

Annual Report presented to Parliament pursuant to Section 1(15) and Paragraph 3 of
Schedule 1 to the Criminal Justice Act 1987

Ordered by the House of Commons to be printed on 14 July 2011

This is part of a series of Annual Reports and Accounts which, along with the Main Estimates 2010-11, the document Public Expenditure: Statistical Analyses 2010, and the Supply Estimates 2010-11: Supplementary Budgetary Information, present the Government's outturn and planned expenditure for 2010-11.

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Any enquiries regarding this publication should be sent to us at: Elm House, 10-16 Elm Street, London, WC1X 0BJ

This publication is also available for download at www.official-documents.gov.uk and is also available from our website at www.sfo.gov.uk

ISBN: 9780102974591

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P002442031 07/11

Printed on paper containing 75% recycled fibre content minimum.

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Director's foreword

I am pleased with our performance in 2010-11. Investigation times have been reduced significantly, conviction rates remain high and huge sums of money are being returned to the victims of economic crime. And all of this is being done at less expense to the public purse.

Our remit is to tackle serious and complex economic crime. When money can be moved across the world in seconds and hidden from sight by unscrupulous fraudsters, an organisation like the SFO -with its skilled investigators and prosecutors - is vital for safeguarding the public. Only the SFO can track economic criminals across the world, obtain justice for victims and work with ethical British businesses to enhance the reputation of UK Plc.

We have developed around one third of our cases in-house by using our expanding intelligence gathering capability. We have dramatically reduced the time it takes us to investigate cases. For example, since 2008 the average time it takes us to charge in a case is only 15 months. This means that we are getting justice for victims more quickly and reducing our investigation costs. By continuing to put victims at the heart of what we do, we have identified over £64 million in payments to victims of economic crime.

Looking ahead, the Bribery Act comes into force on 1 July 2011 and it is vital that businesses are ready for it. 2010-11 was therefore a year of preparation where we gave over 100 presentations and took part in panel sessions around the world talking with businesses about the implications of the new Act and encouraging them to report problems to us.

RICHARD ALDERMAN
Director

Chief Executive's commentary

The SFO continues to innovate so that we can deliver more for less and improve our service for the victims of economic crime. We have launched our first victim and witness survey to find out how satisfied they are with the service we give them. The lessons we learn will help us find better ways of working in the future as will building on our success in targeting illegal hoards, freezing them (under the Proceeds of Crime Act 2002) and securing them for the victims of economic crime.

We have transformed our digital forensics capability to be predominantly an 'e-Discovery house'. While traditional computer forensics techniques dig deep into a handful of computers, e-Discovery enables us to quickly distil the huge volumes of data captured in our search operations and to focus on material likely to have greatest evidential yield. The benefits are clear. We can now handle up to 100GB of new information each day – a 2,000% increase year on year. It is also allowing us to respond quickly to court requirements – in one case we were able to identify and produce over 47,000 emails overnight to satisfy a judge's order. Such speed of response would have been impossible before.

There is no doubt that the SFO could do even more given greater powers and we are pressing for them. The Government is committed to combating economic crime and arming agencies with the powers required to deal fraudsters a body blow that white collar criminals have previously been able to avoid. These powers are still a matter for discussion. In the meantime, the SFO's skills and determination will continue to bring fraudsters to book, deliver justice to victims and provide value for money.

PHILLIPPA WILLIAMSON
Chief Executive

Annual Report

Basis of Accounts

This document contains the Annual Report and Resource Accounts of the Serious Fraud Office (SFO) for the year 1 April 2010 to 31 March 2011. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRoM) for 2010-11.

The Annual Report contains, where relevant, the type of information you would expect to see in a director's report for a public company, a management commentary on the SFO and a remuneration report. The Resource Accounts show how the SFO has used its resources to deliver its objectives.

There is more information on the SFO on its website - www.sfo.gov.uk

Corporate Governance

The Director acts under the supervision of the Attorney General. He is supported by the Strategic Management Board and the Executive Board. The Strategic Management Board meets monthly; the Executive Board meets weekly.

Each board has clearly defined terms of reference and membership. The Strategic Management Board sets the strategic direction of the SFO and monitors performance and progress at a high level. The Executive Board monitors performance and progress in more detail and deals with issues arising. The fact that the Executive Board meets weekly means that issues are addressed quickly.

Each body identifies, reviews and prioritises key risks. The most significant risks are assigned to individual board members who own and are responsible for them. The principal risks and uncertainties facing the SFO relate to its continuing ability to investigate and prosecute serious economic crime and respond to changing demand and the volatile environment in which it operates. Key areas identified include:

- delivering quality casework
- the need to deliver the business within budget
- recruiting and retaining staff
- the need to give due priority to overarching security policies and data protection.

The SFO has well-established risk management systems and regular reviews take place at the relevant levels within the organisation.

The Audit and Risk Committee is a sub-committee of the Strategic Management Board. It is chaired by a non-executive director. It promotes and provides support on key corporate governance issues to the Director and Strategic Management Board and meets five times a year. Internal and external auditors attend each meeting. The committee has clearly defined terms of reference and has an established work programme. The SFO substantially conforms to the principles of HM Treasury's Corporate Governance Code for Central Government Departments.

Company Directorships

None of the Strategic Management Board members hold any company directorships or significant interests which might conflict with their senior management responsibilities.

Role of the Department

The Serious Fraud Office (SFO) is a non-ministerial department. It was established by the Criminal Justice Act 1987, following the 1986 Roskill Report. Its role is to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland and overseas corruption with a UK connection. With the introduction of the Bribery Act, its role will expand further to include domestic corruption as well. The SFO is headed by the Director, Richard Alderman, who acts under the superintendence of the Attorney General.

The National Fraud Authority (NFA) was established on 1 October 2008 as an executive agency of the Attorney General's Office. In line with the recommendations of the Government's Fraud Review, the NFA works across the public and private sectors to provide strategic direction and to coordinate the fight against fraud. The NFA is consolidated with the Serious Fraud Office for financial reporting purposes to reflect its funding from the Consolidated Fund being a sub-head within the Request for Resources for the Department.

Mission

The SFO's mission is to be trusted to protect society from serious economic crime. In doing that it aims to:

- reduce the harm caused by serious economic crime by investigating proactively and by helping to prevent fraud by educating the public about the risks
- build the capability to receive, review, assess and share information and so become an intelligence-led organisation
- improve victim satisfaction by putting victims at the heart of what it does
- continuously deliver improved value for money to the taxpayer
- establish a stretching, developmental and rewarding working environment for investigators, lawyers, and forensic and support staff.

The SFO's approach to achieving this mission

Six core values underpin the way the SFO works towards this mission. These are:

- **Supportive:** We serve and help victims, witnesses and whistleblowers who are at the heart of what we do.
- **Focused:** We focus on serious cases where we can make a difference, delivering the most appropriate results as quickly as possible.
- **Proactive:** We are proactive in reducing the harm from fraud and corruption by educating the public and working with other agencies to disrupt economic crime. We look to share ideas for new and innovative ways of working and so improve what we do.
- **Relevant:** We are up to date on current and potential economic crime issues. We deliver the specialised work that makes the biggest difference to the harm caused by serious economic crime.
- **Collaborative:** We collaborate nationally and internationally to chase down and address serious economic crime. We treat our staff, partners and stakeholders with respect, valuing diversity and drawing on the different strengths, experience and talents of all our people and so provide equality of opportunity for staff to grow and develop.
- **oneSFO:** We have a common purpose and consistent processes that deliver value for money and manage risk effectively.

SFO Activities and Operations

The SFO has two operational business areas each led by a member of the Senior Civil Service with a number of dedicated case managers who are responsible for the day-to-day management of cases. Case managers are either investigators or lawyers. The nature of a case and the stage it is at, determine whether a lawyer or an investigator is in charge of it. Multi-discipline case teams are established and members are allocated according to the skills and expertise the case requires. Cases are reviewed at least monthly to ensure that they are on track and that they still fit with the SFO's aims.

Operational Remit

The SFO may deal with any type of complex or serious fraud or overseas corruption. The Enterprise Act 2002 criminalised anti-competitive behaviour by individuals and the SFO is jointly responsible with the Office of Fair Trading (OFT) for conducting criminal prosecutions under this legislation. The Anti-Terrorism, Crime and Security Act 2001 clarified the law on the bribery of foreign officials by UK nationals or companies. The SFO is responsible for the initial review of all allegations received in this area. Where the case falls within the SFO's criteria for taking up cases, it will register it for investigation. If not, the SFO passes the case to the most appropriate law enforcement agency or regulatory body. The SFO has two small specialist units to maintain the register of complaints of suspicion of corruption overseas and an increasing number of applications to restrain the proceeds of crime.

In London the SFO works primarily with the City of London Police (CoLP). A memorandum of understanding (MoU) with the Association of Chief Police Officers (ACPO) sets out the agreed approach to SFO investigations, and who will be responsible for different aspects of the work.

The SFO has agreed criteria for referring cases where there is mutual interest between the Financial Services Authority (FSA), the SFO, the Department for Business, Innovation and Skills (BIS), the police, Crown Prosecution Service (CPS) and their counterparts in Scotland and Northern Ireland. Agreed guidelines provide a framework for dealing with cases where regulatory or administrative penalties, rather than criminal prosecution, appear more appropriate. The Financial Services and Markets Act 2000 included a number of criminal offences specifically designed to deal with investment fraud as well as administrative penalties for market manipulation. The SFO and FSA continue to work closely together to prevent, deter and punish financial frauds in these areas.

Case Selection Criteria

Though none of the following factors, when taken individually, should be regarded as conclusive, the factors the SFO considers when deciding to take up a case for investigation include:

- whether the sum at risk is estimated to be at least £1million. This is simply an objective and recognisable mark of seriousness and likely public concern, rather than the main indicator of suitability
- whether the case is likely to give rise to national publicity and widespread public concern – for example, cases involving government departments, public bodies, the governments of other countries and commercial cases of public interest
- whether the case requires a highly specialist knowledge of, for example, financial markets and their practices
- whether the case has a significant international dimension
- whether legal, accountancy and investigative skills need to be brought together
- whether the suspected fraud appears to be complex and one where it would be appropriate to use Section 2 powers (Criminal Justice Act 1987).

The statutory criteria for accepting cases are interpreted in the light of published criteria agreed by the Law Officers. The key criterion for the SFO to take on a case is that the magnitude of the suspected crime means that the people responsible for prosecuting the case should also direct the investigation.

Achievements in 2010-11

Economic crime causes immense harm to millions of individual victims, governments and the UK economy. The National Fraud Authority estimates that the cost of fraud in the UK is £30bn a year with public sector fraud alone accounting for over half that sum.

The cost of corruption is very hard to measure. The UN states that “corruption kills development and is one of the biggest obstacles to achieving ... targets to reduce poverty, hunger and other social ills by 2015”. Fraudsters target vulnerable individuals causing great distress and personal difficulties, while generating cash that is used for further serious and organised crimes.

Economic crime undermines confidence in the UK and UK business and results in individuals paying more for goods and services. The SFO has a vital role to play in addressing this clear and present threat. In 2010-11 it once again produced a year of noteworthy results. More cases are being dealt with more quickly and with a higher success rate. Intelligence now drives our approach and we focus more on preventing and deterring economic crime, thereby reducing the harm to victims. In spite of reduced funding, we continue to work in innovative ways, providing better value for money for UK citizens.

Successes in 2010-11

	2009-10	2010-11
Number of trials	13	17
Number of civil recovery orders	1	1
Number of defendants convicted	22	26
Total number of defendants tried	24	31
Percentage of defendants convicted	91.7%	84%
Average length of sentence (months)	31.8	30.1

The conviction rate we achieved remains high, as are the sentences passed in our cases. These demonstrate the quality of the investigation and prosecution work we present to juries. Our Proceeds of Crime team has also identified over £64m for payments to the victims of economic crime. These will be enforced through the court service as compensation or voluntary payments.

The changes to our working practices and procedures that we implemented as part of our Transformation Programme are continuing to reduce the time it takes us to investigate a case. In 2008-09 it took an average of 45 months to investigate a case while in 2010-11 the average time had halved to 24 months.

Service Delivery

The SFO has agreed the following delivery aims with HM Treasury to replace the previous reporting regime. By 2014-15 the SFO aims to:

2014-15 aim	2010-11 performance
Ensure that the SFO further improves the way we put victims at the heart of what we do.	78% victim satisfaction rating
Develop further the SFO's proactive approach to reducing the harm caused by serious economic crime.	25% of cases developed from in-house intelligence function
Continue to strive to reduce the cost of our investigations through more timely and better focused investigations which will give better value for money.	£910k average cost of investigations

Review of the UK's Approach to Tackling Serious Economic Crime

Following the General Election on 6 May 2010 the Government committed to reviewing the way the UK tackles serious economic crime. This review has now concluded and the Government has committed to the continuation of the Serious Fraud Office as a non ministerial department. The SFO has been granted Parliamentary Supply for 2011-12 and the accounts for 2010-11 have accordingly been prepared on a going concern basis.

A review in 2010-11 of the sponsorship arrangements for the NFA has resulted in a Machinery of Government change whereby the NFA will operate as an Executive Agency of the Home Office from 1 April 2011.

Departmental Report Core Tables

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2011) 02.

Table 1 Public Spending

	£000s								
	2006- 07 Outturn	2007- 08 Outturn	2008- 09 Outturn	2009- 10 Outturn	2010-11 Outturn	2011- 12 Plans	2012- 13 Plans	2013- 14 Plans	2014- 15 Plans
Resource DEL									
Section A: Investigations and Prosecution	40,678	43,318	51,529	39,616	35,874	33,859	32,130	30,365	29,282
Total Resource DEL	40,678	43,318	51,529	39,616	35,874	33,859	32,130	30,365	29,282
<i>of which:</i>									
Pay	17,974	18,460	23,640	19,948	19,942	19,793	18,496	18,496	18,278
Procurement	21,226	23,462	27,031	20,306	17,842	14,058	13,842	12,499	11,442
Depreciation*	1,741	1,604	2,354	2,709	2,140	2,508	2,292	1,870	2,062
Non vote income	(127)	(208)	(1,496)	(3,347)	(4,050)	(2,500)	(2,500)	(2,500)	(2,500)
Resource AME	-	-	1,762	517	-	2,000	2,000	2,000	2,000
Total Resource Budget	40,678	43,318	53,291	40,133	35,874	35,859	34,130	32,365	31,282
<i>of which:</i>									
Depreciation	1,741	1,604	2,354	2,709	2,140	2,508	2,292	1,870	2,062
Capital DEL									
Section A: Investigations and Prosecution	3,933	4,223	1,864	2,979	2,689	1,580	1,600	1,440	1,820
Total Capital Budget**	3,933	4,223	1,864	2,979	2,689	1,580	1,600	1,440	1,820
Total departmental spending***	42,870	45,937	52,801	40,403	36,423	34,931	33,438	31,935	31,040
<i>of which:</i>									
Total DEL	42,870	45,937	51,039	39,886	36,423	32,931	31,438	29,935	29,040
Total AME	-	-	1,762	517	-	2,000	2,000	2,000	2,000

* Includes impairments

** Expenditure on tangible and intangible fixed assets net of sales

*** Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and capital budget AME less depreciation in AME.

Table 2 - Capital Employed

£000s

	2006- 07 Outturn	2007- 08 Outturn	2008- 09 Outturn	2009- 10 Outturn	2010-11 Outturn	2011- 12 Plans	2012- 13 Plans	2013- 14 Plans	2014- 15 Plans
Assets and liabilities on the statement of financial position at end of year:									
Assets									
Non-current assets	5,680	7,878	6,155	6,859	7,335	6,660	5,968	5,538	5,296
Intangible	393	489	1,485	2,548	4,066	4,260	3,568	3,828	3,676
Property, Plant and Equipment <i>of which:</i>	5,272	7,375	4,686	4,300	3,259	2,340	2,400	1,710	1,620
Improvements to leasehold property	1,086	2,645	2,733	2,015	1,065	500	1,000	750	500
Information technology	1,452	1,467	1,396	1,895	1,937	1,600	1,200	800	1,000
Furniture and fittings	543	525	480	390	257	240	200	160	120
Motor vehicles	83	65	49	-	-	-	-	-	-
Current assets	2,743	2,687	3,675	2,252	2,556	2,200	2,200	2,200	2,200
Liabilities									
Current (<1 year)	(5,102)	(5,899)	(9,344)	(4,763)	(4,873)	(4,000)	(3,700)	(3,300)	(3,000)
Non-current (>1 year)	0	0	0	(298)	(126)	(298)	(298)	(298)	(298)
Provisions	(1,155)	(965)	(2,050)	(2,279)	(1,467)	(1,191)	(653)	(355)	(200)
Capital employed within main department	2,166	3,701	(2,034)	1,771	3,425	3,371	3,517	3,785	3,998
Agency assets	-	-	(855)	(173)	(18)	-	-	-	-
Total capital employed in departmental group*	2,166	3,701	(2,889)	1,598	3,407	3,371	3,517	3,785	3,998

* For 2011-12 onwards the assets of the NFA will be accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.

Table 3 - Administration budget

	£000s								
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section A: Investigations and prosecution	29,407	30,714	-	-	-	9,389	9,373	7,954	7,473
Total administration budget*	29,407	30,714	-	-	-	9,389	9,373	7,954	7,473
<i>of which:</i>									
Paybill	17,974	18,460	-	-	-	2,582	2,582	2,582	2,582
Expenditure	11,560	12,412	-	-	-	6,807	6,791	5,372	4,891
Income	(127)	(158)	-	-	-	-	-	-	-

* From 1 April 2008 to 31 March 2011 all operating costs for the SFO were classified as programme. The Spending Review for 2010 which covers 2011-12 to 2014-15 financial years has reinstated the requirement for the reporting of expenditure between programme and administration.

Table 4 - staff in post

	2008-09 Actual	2009-10 Actual	2010-11 Actual
Civil service (full time equivalents)	303	302	295
Casuals	2	5	10
Total*	305	307	305

* The numbers in this table reflect staff numbers at 31 March 2011, including casual staff and those on fixed term contracts. The numbers in this table are not directly comparable with those in note 8(b) which shows average staff numbers for the year.

MANAGEMENT COMMENTARY

Going Concern Basis

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both to be approved by Parliament each year. The amounts required for 2011-12 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

The Core Department's net assets of £3,425k at 31 March 2011 compare to net assets of £1,771k as at 31 March 2010. The movement in the position reflects the net capital expenditure for the year as levels of current assets and current liabilities remain broadly comparable with the prior period.

The consolidated Statement of Financial Position as at 31 March 2011 includes the following liability payable over a number of years:

- The provision for future payments associated with the early retirements of individuals in posts no longer required, with a decrease in year of £28k bringing the total provided to £1,222k.

Reconciliation of Resource Expenditure between Estimate, Accounts and Budget

	2010-11 £000	2009-10 £000
Net Resource Outturn (Estimate)	41,062	45,273
Resource Budget (Estimate)	41,062	45,273
Unused Resources	1,163	1,732
Net Resource Outturn	39,899	43,541
Income payable to the Consolidated Fund	(361)	-
Net Operating Cost (Accounts)	39,538	43,541

Net Resource Outturn and Net Operating Cost

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The decrease in both the Net Resource Outturn and Net Operating Cost over the previous year largely represents the reduction in other sources of supply funding outside of the core vote compared to 2009-10. No modernisation funding was received for 2010-11 there was also a significant reduction in the top-up funding provided to support expenditure on Blockbuster cases and a smaller reduction in vote funding in line with the settlement achieved during the Comprehensive Spending Review 2007.

The table below reflects the share of the variance of £1,163k between the SFO and NFA

	SFO £000	NFA £000	Total £000
Resource Estimate (Net)	36,931	4,131	41,062
Resource Outturn (Net)	35,874	4,025	39,899
Unused Resources	1,057	106	1,163

As shown above and in the Statement of Parliamentary Supply on page 26, there has been an overall underspend of £1,163k against the Estimate. £1,057k of this underspend related to the SFO and £619k of that is for one exceptionally large case for which additional ring-fenced funding was provided outside the normal financing arrangements for the SFO. The balance of £438k reflects the significant increase in income from civil recovery settlements from those anticipated at the start of the financial year. SFO income, mainly from civil recovery settlements and cost awards, increased in 2010-11 to £4,411k compared to £3,347k in 2009-10.

Net Cash Requirement

The net cash requirement of £41,393k for 2010-11 is £88k less than the estimated requirement for the year and reflects the operating expenditure of the SFO and NFA, the reduction of outstanding liabilities in respect of early departure costs by £389k and the partial settlement of liabilities in respect of dilapidations in 2010-11.

Financial Instruments

Details about the SFO's policies on financial instruments are included in the notes to these accounts. Most financial instruments are for contracts to buy non-financial items in line with the expected purchase and usage requirements and the department is therefore not exposed to significant credit, liquidity or market risk.

Investment in the Future

All current and capital expenditure support core operational functionality and are planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurements and contracts. Because the SFO is a small organisation, this is best done by using the Office of Government Commerce framework as much as possible and continuing partnerships with other public sector organisations that have dedicated resources working in these areas.

Pensions and Early Departure Costs

Details about the SFO's pensions and early departure policies are included in the notes to these accounts.

Paying Suppliers

The SFO's current payment policy is to pay bills on agreed contractual conditions, or where there are no conditions, either within 30 days of receiving the goods and services or on the presentation of a valid invoice, whichever is the later. The SFO paid 93% (2009 -10 92%) of supplier invoices to time.

The Prime Minister made a commitment in October 2008 that central government departments would move to paying invoices within 10 days of goods being received and with a valid invoice. During 2010-11 the SFO paid 34% (2009-10 50%) of supplier invoices within 10 days. The legal requirement remains 30 days.

Data Handling

The SFO has continued to build on the work it has done following the publication of the Cabinet Office guidance on Reporting of Personal Data Related Incidents which was issued in April 2008. The guidance requires government departments to:

- give the Information Commissioner's Office a summary of incidents
- disclose the numbers of incidents recorded by the department, but not required to be reported, in the department's Annual Report and Resource Accounts

There were five potential security breaches during the year but none compromised personal information.

Accommodation and Facilities

The SFO is committed to contributing towards the Government's sustainable development targets and has ensured that all the electricity used at 200 Gray's Inn Road comes from renewable sources. The SFO operates recycling schemes for paper, glass, cans and plastic packaging and additional "green" travel options for staff, supported by additional cycle storage and improved shower facilities.

Environmental Declaration

The SFO is part of the Law Officers' Departments which have a number of targets to comply with central government initiatives on sustainability. Within the SFO, energy saving features have been incorporated in upgraded accommodation wherever possible. We have proximity lighting on all upgraded floors; dual flush toilets and spray taps which minimise water consumption and hand dryers to eliminate the use of paper towels.

The SFO has decided not to include a sustainability report for 2010-11 with these accounts but will produce a sustainability report in accordance with the proposed Government Financial Reporting Manual (FRoM) requirement issued by HM Treasury for 2011-12.

Equal Opportunities

The SFO is committed to treating all its employees fairly. It is also committed to treating all job applicants fairly and reasonably irrespective of their ethnic or national origin, sex, marital status, sexual orientation, religion or disability. Processes are reviewed regularly to ensure that any indicators of bias are highlighted and tackled.

Disability

The SFO's Dignity at Work policy emphasises and embraces the importance of treating everyone equally with dignity and respect, irrespective of race, disability, belief or age. Inappropriate behaviour or discrimination is deemed both unlawful and unacceptable. Our policy offers guidance on what to do if unacceptable behaviour occurs. The average number of disabled staff during the year was 19 (2009-10: 16).

Sickness

The SFO wants its employees to attend work regularly. However, it recognises that, from time to time, employees may be unable to do this because of ill health. Working in partnership with its employees, the SFO tries to find ways to manage sick absences and to ensure that employees return to work at the earliest possible opportunity. Average sick days (per employee) taken during the year were 11.21 (2009-10: 9.8 days). The increase in average days compared to 2009-10 reflects improved monitoring arrangements for 2010-11 as well as worry about the uncertain future of the SFO (resulting from the debate about the UK's approach to tackling serious economic crime).

Communication with Employees

The SFO communicates with its people in a number of ways including:

- face to face meetings – these can be formal question and answer sessions on specific issues (such as changes in policy, continuous improvement projects, etc) or informal events over coffee where members of staff can air their own issues or any questions with the Director and other senior managers. Specific sessions are arranged for new members of staff
- the intranet – news items are flagged up on the homepage daily, a message is published daily by the Director and Chief Executive, while a calendar of events keeps members of staff up to date with events and important deadlines. Items with less immediate relevance or importance are flagged up on the day of publication and all items published on the intranet feature in a weekly roundup email so that members of staff do not miss them
- booklets – these are produced on key subjects (for example, people plans, annual review, risk management and staff induction material)
- emergency channels – members of staff have access to an emergency telephone and web line in the event that the SFO has to invoke its business continuity procedures.

Auditors

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's core and consolidated notional audit fees for 2010-11 are £64,500 and £97,500 respectively (2009-10: core £74,000, consolidated £110,000). The consolidated notional fee for 2009-10 includes £11,000 in respect of the audit of the restated IFRS based shadow Resource Accounts for 2008-09.

So far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information. No further assurance or other advisory services were provided by the auditors.

RICHARD ALDERMAN
Accounting Officer
7 July 2011

REMUNERATION REPORT

Ministers and Senior Officers

The Attorney General (Mr Dominic Grieve, QC) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General is given in the Resource Accounts of the HM Procurator General and Treasury Solicitor.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

In reaching its recommendations, the Review Body considers:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits; and
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The Director's salary is linked to that of a High Court Judge. The current Director has foregone all pay increases since his appointment in April 2008.

Remuneration Committee

The remuneration of the Executive Board Members is determined in accordance with the report of the Senior Salaries Review Body. The SFO's Senior Civil Service (SCS) Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director and an independent member of the Senior Civil Service from another government department with experience in setting SCS remuneration.

At Risk Pay

For grades below the SCS, there are twice yearly merit and annual performance reviews. Bonuses are based on one-off projects being completed to quality standards and being delivered on time, and objectives being achieved. Instant bonuses can also be awarded by Heads of Business Area to individuals or teams who have completed a task under challenging circumstances. To assess performance, the SFO uses a competency framework. Each role within the Department is measured against the appropriate level of each competency. A formal review of performance is conducted at least once a year. In 2010-11 the annual performance bonus for grades below the SCS totalled £214,768 (2009-10: £152,000).

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The Director and Accounting Officer of the SFO is Richard Alderman.

Senior Official Appointments

Richard Alderman was appointed by the Attorney General on a four-year contract that began on 21 April 2008.

Salary and Pension Entitlements

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the most senior management of the Department during the year. The most senior management of the SFO is represented by the executive members of the Strategic Management Board.

As disclosed in the Foreword to the accounts, the National Fraud Authority has been consolidated with the Serious Fraud Office for financial reporting purposes. The remuneration and pension details for the senior managers of the National Fraud Authority are disclosed within the annual accounts of the National Fraud Authority which are published separately from the Department's resource accounts.

Non-Executive Board Members

Name and title	Fees for Non-Executive Directors	
	2010-11	2009-10
	£'000	£'000
Alan Graham* <i>Non-Executive Director</i>	25-30	30 -35
Dame Elizabeth Neville QPM <i>Non-Executive Director</i>	15-20	25 - 30
Robert Goldspink <i>Non-Executive Director</i>	10-15	5 – 10

* Alan Graham's fees reflect his remuneration for the role of chairman of the SFO and the NFA Audit Committees.

The Non-Executive Directors have been appointed on a three year renewable contract with their remuneration determined by the number of days required for their duties at a rate per diem plus reimbursement of expenses. None of the current Non-Executive Directors are members of the Civil Service Pension Scheme.

Executive Board Members

Name and title	2010-11		2009-10	
	Salary	Bonus Payments	Salary	Bonus Payments
	£000	£000	£000	£000
Richard Alderman <i>Director</i>	165-170	-	165 -170	-
Phillippa Williamson <i>Chief Executive Officer</i>	120-125	10-15	110 -115	-
Vivian Robinson QC <i>General Counsel</i>	135-140	0-5	130 – 135 (135 - 140 full year equivalent)	-

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits in kind available to employees, including the above named senior officials, include health screening services available at the request and discretion of the employee. It is impracticable to determine the amounts involved for each employee or for the group as a whole.

The benefit in kind for the Chief Executive Officer is estimated to be £27,600 for the payment of travel and hotel costs for home to work travel incurred from 1 April up to 31 March 2011. These payments arise from their home base being out of London. This is enhanced by taxation and NI contributions to the value of £24,300 (2009-10 £8,100 and £7,200 respectively).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

Pension Benefits

Name and title	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10***	Real increase in CETV
	£000	£000	£000	£000	£000
Richard Alderman <i>Director</i>	75-80 plus 235-240 lump sum	-	1,763	1,639	-
Phillippa Williamson* <i>Chief Executive Officer</i>	35-40	0-2.5	484	440	1
Vivian Robinson QC** <i>General Counsel</i>	5-10	2.5-5	111	55	53

* Member of Premium Scheme - lump sum not applicable

** Member of Nuvos Scheme - lump sum not applicable

*** The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the **classic**, **premium**, **classic plus** and **nuvos** schemes are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in the **classic** scheme accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For the **premium** scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the **classic** scheme, there is no automatic lump sum. The **classic plus** scheme is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per the **classic** scheme and benefits for service from October 2002 worked out as in the **premium** scheme. In the **nuvos** scheme a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension

product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of the **classic**, **premium** and **classic plus** schemes and 65 for members of the **nuvos** scheme.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Partnership Pensions

None of the Senior Management team participates in partnership pension arrangements (see note 8).

Richard Alderman
Accounting Officer
7 July 2011

Statement of Accounting Officer's Responsibilities

1. Under Section 5 of the Government Resources and Accounts Act 2000 and to comply with an HM Treasury direction, the SFO is required to prepare resource accounts for each financial year detailing the resources acquired, held or disposed of during the year and the use of resources during the year by the Department.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.
3. HM Treasury has appointed the Director of the SFO as the Accounting Officer of the Department. He is responsible for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* prepared by HM Treasury and in particular to:
 - a. Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. Make judgements and estimates on a reasonable basis;
 - c. State whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
 - d. Prepare the accounts on a going-concern basis.
5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of Responsibility

This statement is given in respect of the resource accounts for the SFO for the year ended 31 March 2011.

The Serious Fraud Office (SFO) is a non-ministerial government department under the superintendence of the Attorney General. As Director and Accounting Officer of the SFO, I was appointed by and am accountable to the Attorney General, who is responsible to Parliament for the SFO.

As Accounting Officer for the SFO, I am responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives, while safeguarding the public funds and departmental assets, for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

I am supported in managing the SFO and its key risks by two key governance groups: the Strategic Management Board (SMB) and Executive Board (EB). These groups comprise members of the senior management team and Non-Executive Directors, to ensure that decisions are made in a considered and transparent way and in the best interests of public justice.

I chair the Strategic Management Board (SMB) which meets monthly and whose members include the Chief Executive Officer, General Counsel and three Non-Executive Directors. Individually the Non-Executive Directors have experience in core areas such as the law, financial regulation and policing but, as part of the board, they operate as a team with each member sharing a common interest in the overall performance and integrity of the SFO.

The Strategic Management Board's primary responsibilities are to:

- Oversee strategy
- Review and monitor financial management and performance
- Encourage joint working with other organisations; and
- Identify and pursue opportunities to achieve maximum efficiency and effectiveness.

The Executive Board (EB) operates as a sub-committee of the Strategic Management Board and is chaired by the Chief Executive Officer. The Executive Board meets weekly and is attended by the Chief Information Officer, the Head of Media Relations, the Chief Investigator, and the Chief Capability Officer.

The Executive Board is the principal forum for managing the performance of the SFO and is the forum at which day to day management decisions are made. The Executive Board meets weekly to:

- Share information
- Update members on important developments and issues in specific parts of the business
- Review performance of key functions and programmes; and
- Address immediate operational and functional issues.

The work of the SFO is divided into five 'Business Areas' each under the leadership of a member of the Senior Civil Service who meet with members of the Executive Board each week to discuss operational performance.

The SFO's resources are focused on the core business of investigation and prosecution of serious and complex economic crime. Our investigative and prosecuting teams are organised into specialisms – Bribery and Corruption and Fraud. Given the importance of evidence handling and the increasing electronic nature of evidence, we have combined our material management, digital forensics and IT services teams into one Information Systems business area.

The SFO is supported by a small corporate services team (providing HR, finance, procurement and estates). Small internal and external communications teams ensure good communications with the press, public, victims, witnesses and whistleblowers.

I meet the Attorney General at least monthly to discuss progress and key risks and issues.

I am also the Accounting Officer for the National Fraud Authority (NFA) and regularly liaise with its Chief Executive Officer. It should be noted, however, that although the NFA's budget comes from the same vote as the SFO's, it is monitored separately from the SFO's and kept quite distinct.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the SFO for the year ended 31 March 2011 and up to the date of the approval of the resource accounts and accords with Treasury guidance.

Capacity to Handle Risk

The SFO actively considers and identifies potential risks to the organisation. Our strategy to identify and counter risks to the organisation is based on clear senior management leadership and responsibility, delegation to appropriate levels of authority and functional areas of the department, and the availability of relevant training and information within the SFO.

The Risk and Control Framework

Risk Management

Risk management forms part of the operating environment of the SFO. We have a risk management strategy which we review periodically. Each Executive Board member is accountable for risk and mitigation in their respective areas of responsibility as well as corporately. The risk register is reviewed regularly, and risk assessment is part of the project methodology used by project sponsors and managers in their plans.

The Audit and Risk Committee reviews our risk strategy and the risk register periodically as a standing agenda item. It also receives reports on the effectiveness of risk management processes and systems.

Risk is inherent in the operational aspects of the SFO's business, particularly in the prosecution of cases. A staff guide to risk management has been distributed. Considerable management effort is applied at case level to assessing risk factors – particularly financial – when embarking upon prosecution, balancing those factors with the need to pursue cases in the public interest.

Control Environment

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. The main elements of the Department's control framework include:

- A clearly defined 'Statement of Accounting Officer's Responsibilities' (which forms part of these Resource Accounts)
- A Strategic Management Board with clear terms of reference and a defined membership, including three independent non-executive members, which meets regularly to consider the strategic and operational direction of the SFO
- An Executive Board which comprises all senior managers. Its function is to review performance and to resolve issues to make sure that the SFO delivers its objectives
- An Audit and Risk Committee chaired by a Non-Executive Director which meets five times a year. The membership of the committee comprises three Non-Executive Directors and the General Counsel
- A bought-in internal audit service provided by HM Revenue and Customs. They conduct an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the Audit and Risk Committee and executive managers

- A detailed guide on standards of behaviour and conduct which is contained in the staff manual and includes a clear corporate policy to combat fraud
- An updated Operational Manual which covers all casework processes, procedures and best practice supported by a monthly case reporting process and quality assurance checks
- A clear structure of delegated responsibility. All job roles have been reviewed and responsibilities defined
- A framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols.

Cabinet Office Rules for Information Assurance

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security. In addition, we retained ISO 27001 accreditation which confirms that the technical aspects of information management are well founded.

All laptops, PDAs and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data. Heads of Business Areas fulfil the role of Information Asset Owners and are responsible for ensuring that case material is suitably protected at all times. We have a system to provide exemptions if unencrypted data needs to be taken off the premises. This has been invoked once in the past year when large data volumes were transferred overseas and encryption was not technically feasible.

No major control weaknesses have occurred during the past year. Five potential security breaches were reported to the Cabinet Office but were subsequently shown not to have involved any compromise of personal information.

Review of effectiveness

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by the work of the internal auditors and the executive managers within the SFO (who are responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. I have received a reasonable assurance on risk management, control and governance in the SFO from the Internal Audit Annual Report for 2010-11.

Measures in place in the SFO include:

- Regular reports by the internal auditors in line with the Government Internal Audit Standards, which include the Head of Internal Audit's assurance on the overall adequacy and effectiveness of the SFO's processes and systems for risk management, control and governance, together with any recommendations for improvement
- Regular reports which are distributed to members of the Strategic Management Board and Executive Board, on operational, financial, staffing and IT issues and performance
- Improved business and strategic planning processes
- Improved data security procedures and supporting communications
- Periodic reports from the chair of the Audit & Risk Committee, to myself and to the Strategic Management Board; and
- Advice on the effectiveness of the system of internal control by the Strategic Management Board, Audit and Risk Committee and senior managers.

While areas for improvement have been identified and recommendations made accordingly, none significantly impact on the overall adequacy and effectiveness of risk management, control and governance.

Richard Alderman
Accounting Officer
7 July 2011

SERIOUS FRAUD OFFICE

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Serious Fraud Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Serious Fraud Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information included with the financial statements to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on the Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Serious Fraud Office's affairs as at 31 March 2011, and of its net cash requirement, net resource outturn and net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

8 July 2011

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource Outturn

for the year ended 31 March 2011

Request for Resources	Note	Estimate			Outturn			2010-11	2009-10
		Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total	£000	£000
							Net Total Outturn compared with Estimate: saving/ (excess)	Net Total	Outturn
1 Reducing fraud and the cost of fraud and delivering justice and the rule of law	2	47,012	(5,950)	41,062	44,688	(4,789)	39,899	1,163	43,541
Total Resources	3	47,012	(5,950)	41,062	44,688	(4,789)	39,899	1,163	43,541
Non-operating cost A-in-A		-	-	-	-	-	-	-	-

Net Cash Requirement

for the year ended 31 March 2011

Net Cash Requirement	Note	Estimate		Outturn		2010-11	2009-10
		Income	Receipts	Income	Receipts	£000	£000
						Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
	4	41,481		41,393		88	47,136

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

Note	Forecast 2010-11		Outturn 2010-11	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
SFO – Core Department	361	-	-	-
NFA	-	-	-	-
Total	361	-	-	-

Explanation of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary within the Foreword to the Accounts.

The notes on pages 31 to 52 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

		2010-11					2009-10		
		£000					£000		
		Core Department			Consolidated			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Total	Total
Programme Costs									
Staff Costs	8	19,942			23,432			19,948	23,246
Other Programme Costs	9		12,956			14,230		15,121	17,157
Direct Case Costs	10		7,026			7,026		7,894	7,894
Income	11			(4,411)			(5,150)	(3,347)	(4,756)
Totals		19,942	19,982	(4,411)	23,432	21,256	(5,150)	39,616	43,541
Net Operating Cost	3			35,513			39,538	39,616	43,541

The notes on pages 31 to 52 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2011

	Note	Core Department	2010-11	2009-10
			£000 Consolidated	£000 Consolidated
Non-current assets:				
Property, plant and equipment	13	3,259	3,284	4,390
Intangible assets	14	4,066	4,268	2,738
Trade and other receivables	15	10	10	11
Total non-current assets		7,335	7,562	7,139
Current assets:				
Trade and other receivables	15	2,518	2,531	2,029
Cash and cash equivalents	16	38	38	242
Total current assets		2,556	2,569	2,271
Total assets		9,891	10,131	9,410
Current liabilities:				
Trade and other payables	17	(4,873)	(5,131)	(5,235)
Provisions	18	(363)	(363)	(393)
Total current liabilities		(5,236)	(5,494)	(5,628)
Non-current assets plus/less net current assets/liabilities		4,655	4,637	3,782
Non-current liabilities				
Trade and other payables	17	(126)	(126)	(298)
Provisions	18	(1,104)	(1,104)	(1,886)
Total non-current liabilities		(1,230)	(1,230)	(2,184)
Assets less liabilities		3,425	3,407	1,598
Taxpayers' equity:				
General fund		2,871	2,853	861
Revaluation reserve		554	554	737
Total taxpayers' equity		3,425	3,407	1,598

Richard Alderman
Accounting Officer
7 July 2011

The notes on pages 31 to 52 form part of these accounts

Consolidated Statement of Cash Flows

for the year ended 31 March 2011

		2010-11	2009-10
		£000	£000
Note	Consolidated	Consolidated	Consolidated
Cash flows from operating activities			
	Net operating cost	(39,899)	(43,541)
	Adjustments for non-cash transactions	9 2,156	3,813
	(Increase)/Decrease in trade and other receivables	15 (501)	(438)
	<i>less movements in receivables relating to items not passing through the OCS</i>	380	(10)
	Increase/(Decrease) in trade and other payables and other current liabilities	17 (276)	(5,164)
	<i>less movements in payables relating to items not passing through the OCS</i>	(53)	1,746
	Use of provisions	18 (389)	(288)
	Net cash outflow from operating activities	(38,582)	(43,882)
Cash flows from investing activities			
	Purchase of property, plant and equipment	13 (580)	(1,251)
	Purchase of intangible assets	14 (2,232)	(2,004)
	Net cash outflow from investing activities	(2,812)	(3,255)
Cash flows from financing activities			
	from the Consolidated Fund (Supply) – current year	41,189	45,294
	Net financing	41,189	45,294
	Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	(204)	(1,843)
	Payments of amounts due to the Consolidated Fund	-	-
	Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	(204)	(1,843)
	Cash and cash equivalents at the beginning of the period	16 242	2,085
	Cash and cash equivalents at the end of the period	16 38	242

The notes on pages 31 to 52 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2009		(2,895)	6	(2,889)
Changes in accounting policy		51	-	51
Restated balance at 1 April 2009		(2,844)	6	(2,838)
Changes in Taxpayers' Equity for 2009-10:				
Net gain/(loss) on revaluation of property, plant and equipment		-	731	731
Non-cash charges – auditor's remuneration	9	110	-	110
Transfers between reserves		-	-	-
Net operating cost for the year		(43,541)	-	(43,541)
Total recognised income and expense for 2009-10		(43,431)	731	(42,700)
Net Parliamentary Funding – drawn down		45,294	-	45,294
Net Parliamentary Funding - deemed		2,084	-	2,084
Supply payable/(receivable) adjustment		(242)	-	(242)
CFERS payable to the Consolidated Fund		-	-	-
Balance at 31 March 2010		861	737	1,598
Changes in Taxpayers' Equity for 2010-11:				
Net gain/(loss) on revaluation of property, plant and equipment		-	-	-
Net gain/(loss) on revaluation of intangible assets		-	-	-
Non-cash charges – auditor's remuneration	9	98	-	98
Transfers between reserves		400	(183)	217
Net operating cost for the year		(39,899)	-	(39,899)
Total recognised income and expense for 2010-11		(39,401)	(183)	(39,584)
Net Parliamentary Funding – drawn down		41,189	-	41,189
Net Parliamentary Funding - deemed		242	-	242
Supply payable/(receivable) adjustment		(38)	-	(38)
CFERS payable to the Consolidated Fund		-	-	-
Balance at 31 March 2011		2,853	554	3,407

The notes on pages 31 to 52 form part of these accounts.

Notes to the Departmental Consolidated Resource Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Basis of consolidation

These accounts comprise a consolidation of the Department and the National Fraud Authority (NFA), an executive agency of the Attorney General's Office. Transactions and balances between the Department and the NFA included in the consolidation are eliminated.

1.3 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the SFO becomes a party to the contractual provisions of the instrument.

The Department is subject to a limited range of financial instruments as its cash requirements are met through the Estimates process and it is not exposed to significant credit, liquidity or market risk.

Borrowings

The SFO has limited powers to borrow money to fund short-term fluctuations in cash flow.

Trade receivables

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where there is evidence that the balances will not be recovered in full.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly-liquid deposits with a maturity period of three months or less.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

1.4 Property, plant and equipment and intangible assets

The Department does not own any freehold land and buildings.

Property, plant and equipment assets are included in the Statement of Financial Position at their fair values. In line with the FReM, indexation is used to assess depreciated replacement cost as a proxy for fair value. Indexation adjustments are applied at the reporting date where not doing so would cause the fair values to be materially misstated.

Expenditure on property, plant and equipment and intangible assets is capitalised when that expenditure, on an individual basis, is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Development expenditure represents internally generated assets under construction.

Property, plant and equipment and intangible assets are subject to consideration for an annual impairment review if there are any indicators of such impairments arising.

1.5 Revaluation reserve

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Statement of Comprehensive Net Expenditure.

1.6 Depreciation and amortisation

Depreciation and amortisation are provided monthly on a straight line basis at rates calculated to write off the valuation of property, plant and equipment and intangible assets, less the estimated residual value, over their estimated useful lives. Depreciation and amortisation are provided from the month of acquisition up to and including the month of disposal.

The useful lives, residual values and depreciation and amortisation methods are reviewed annually with any revisions to those estimates accounted for prospectively. The respective useful lives are as follows:

Property, plant and equipment

Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (which ever is the shorter)

Intangible assets

software licenses	Over the unexpired term of the license
Information technology	5 years or over the unexpired term of the related software license (which ever is the shorter)
website costs	5 years

Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

1.7 Costs awarded to the Serious Fraud Office (SFO)

Costs may be awarded to the SFO as prosecutor under Section 18 of the Prosecution of Offences Act 1985 following a successful prosecution, or as a result of subsequent appeal proceedings.

Where costs are awarded, they may subsequently be revoked or reduced as a result of a successful appeal by the defendant. The court may order that they are not to be recovered without leave of the court, defer recovery until a future date, or subsequently vary the amount and/or timing of recovery or waive it altogether. Responsibility for the recovery of costs awarded rests with the appropriate magistrates' court. The SFO has no powers to recover costs awarded to it.

Where costs are awarded, they are shown as receivables on the Statement of Financial Position. Where they may not be recovered without leave of the court, full provision is made against them until leave is obtained. In other cases, the SFO makes a judgement on the likelihood of costs being recovered based on the circumstances of each case, and may provide accordingly. In practice, full provision is made one year after the debt becomes due except where the defendant is making regular payments to the SFO. Where costs are

subject to appeal proceedings, full provision is made against them until all proceedings are finally determined. Subsequent treatment of these receivables and provisions will depend on the outcome of the proceedings.

Costs awarded to the SFO are written off after a period of five years unless there are compelling reasons to believe that payment will be received.

1.8 Costs awarded against the SFO

Any costs awarded against the SFO are included under prosecution costs for the year in which the awards are made.

1.9 Civil Recovery Receipts

The SFO's share of receipts from Civil Recovery Orders is recognised at the point that payment of the Order is made into the third party bank account prior to onward transfer to the Home Office as required by the Asset Recovery Incentivisation Scheme (ARIS). Payment by the Home Office of the SFO's cash share of the ARIS receipt is generally made at the end of the month following the transfer of the settlement to the Home Office.

1.10 Other income

Any amounts relating to other income are surrendered to the Consolidated Fund unless HM Treasury has agreed they can be retained.

1.11 Administration and programme expenditure

The Department is wholly directed towards front line delivery. Accordingly, as part of the Law Officers' Departments' CSR 07 settlement, HM Treasury agreed that all income and expenditure should be classed as Programme from 2009-10. This agreement is reflected in these accounts.

1.12 Foreign exchange

The presentational currency used for the financial statements is sterling. Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling on the date of the transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used.

1.13 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements in a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for paying future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.14 Provisions - Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding.

1.15 Provisions – Other

The Department provides for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate.

1.16 *Operating leases*

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

1.17 *Value Added Tax (VAT)*

Most of the activities of the Department are outside the scope of VAT, and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment and intangible assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.18 *Third party assets*

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

1.19 *Contingent liabilities*

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.20 *Adjustment due to removal of cost of capital charge*

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009-10 are shown below. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

The removal of the cost of capital charge has the following effect on Resource outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	2009-10
	£000
Net Resource Outturn (Statement of Parliamentary Supply)	43,541
Removal of the cost of capital charge	(51)
Adjusted Net Resource Outturn	43,490

1.21 *Areas of judgement and key sources of estimation uncertainty*

The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimates is contained in the accounting policies or the notes to the financial statements, and the key areas are summarised below.

The area of judgement that has the most significant effect on the amounts recognised in the financial statements is for dilapidations. The main property lease for the SFO office is due to expire December 2012 and there is a tenant only lease break for the same period for the remaining SFO accommodation. While the SFO has settled the liability for one of these properties in 2010-11 a provision has been established for the estimated costs of restoring the remaining properties in accordance with the requirements of the lease terms. The basis for estimation is a survey commissioned in 2010-11.

No sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been identified.

1.22 Impending application of newly issued accounting standards not yet effective

The Department has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that the following new IFRSs are relevant to the Department, but will have no significant impact on the Department's financial statements.

New IFRSs

- IFRS 9 – set to replace IAS 39 Financial Instruments

Major FReM changes for 2011-12

The Department has reviewed major changes to FReM for 2011-12 and determined that the following changes are relevant:

- Chapter 3 – Estimates from 2011-12 will be based on departmental budgets and reflect a split between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).
- Chapter 11 – voted Estimates will be net of income and the concept of Appropriations in Aid (A-in-A) will be removed.

2(a) Analysis of net resource outturn by section

	2010-11		Outturn Net Total	Estimate Net Total	2010-11 £000 Net Total outturn compared with Estimates: saving / (excess)	2009-10 Outturn Net Total
	Gross Resource Expenditure	A-in-A				
Request for resources 1:						
<i>Reducing fraud and the cost of fraud and delivering justice and the rule of law</i>						
Section A						
Investigations and prosecutions	39,924	(4,050)	35,874	36,931	1,057	39,616
Section B						
National Fraud Authority	4,764	(739)	4,025	4,131	106	3,925
Total	44,688	(4,789)	39,899	41,062	1,163	43,541
Resource Outturn			39,899	41,062	1,163	43,541

Explanation of variation between Estimate and Outturn (net total resources):

There has been an overall underspend of £1,163k against the Estimate, £1,057k of this underspend related to the SFO and the remainder to the NFA, a fuller explanation of the variances is given in the Management Commentary within the Foreword.

2(b) Net resource outturn by operating segment

	2010-11			2009-10		
	SFO	NFA	£000 Total	SFO	NFA	£000 Total
Gross Expenditure	39,924	4,764	44,688	42,963	5,334	48,297
Income	(4,050)	(739)	(4,789)	(3,347)	(1,409)	(4,756)
Net expenditure	35,874	4,025	39,899	39,616	3,925	43,541

IFRS 8 requires departments to report on their different activities and provide a segmental analysis of these. In the context of the consolidated account there are two operating segments, core SFO and the NFA. Further analysis of the activities of the SFO into operating segments is not appropriate given the business model of the SFO whereby all expenditure is directed at the prosecution and investigation of cases involving economic crime. The integrated approach applied by the SFO means it is misleading to attempt to separately categorise the costs of investigation from those of prosecution.

3 Reconciliation of net resource outturn to net operating cost

			2010-11 £000	2009-10 £000
	Note	Outturn	Supply Estimate Outturn compared with Estimate	Outturn
Net resource outturn	2	39,899	41,062	1,163
Non-supply income (CFERs)	6	(361)	-	361
Net operating cost		39,538	41,062	1,524
				43,541

4 Reconciliation of net resource outturn to net cash requirement

			2010-11 £000	2009-10 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)
Net Resource Outturn	3	41,062	39,899	1,163
Capital				
Acquisition of property, plant and equipment and intangible assets	13,14	3,175	2,812	363
Accruals adjustments				
Non-cash items	9	(2,756)	(2,156)	(600)
Changes in working capital other than cash		-	449	(449)
Use of provision	18	-	389	(389)
Net cash requirement		41,481	41,393	88
				47,136

Explanation of variation between Estimate and Outturn:

The net resource outturn variance is £1,163k, after taking account of variances on capital acquisitions, movements on non cash items and reductions in current liabilities including provisions the cash requirement variance for the year was £88k.

The Management Commentary within the Foreword to the Accounts gives further details of operating variances.

5 Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Forecast 2010-11		Outturn 2009-10	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A-in-A	361	-	-	-
Other operating income and receipts not classified as A-in-A	-	-	-	-
Sub-total	361	-	-	-
Non-operating income and receipts – excess A-in-A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	361	-	-	-

6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2010-11	2009-10
		£000	£000
Operating income	11	5,150	4,756
Income authorised to be appropriated-in-aid		(4,789)	(4,756)
Operating income payable to the Consolidated Fund	5	361	-

7 Non-operating income – Excess appropriations in aid

	2010-11	2009-10
	£000	£000
Non-operating income – excess A-in-A	-	-

8 (a) Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff	Others	2010-11	2009-10
			£000	£000
			Total	Total
Wages and salaries	15,209	4,185	19,394	19,724
Social security costs	1,268	17	1,285	1,151
Other pension costs	2,861	32	2,893	2,584
Sub Total	19,338	4,234	23,572	23,459
Less recoveries in respect of outward secondments	(140)	-	(140)	(213)
Total net costs*	19,198	4,234	23,432	23,246
Of which:				
Core Department	16,249	3,693	19,942	19,948
NFA	2,949	541	3,490	3,298
Total	19,198	4,234	23,432	23,246

*Of the total, none has been charged to capital. (2009-10: none)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SFO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010-11, employer's contributions of £2,835,444 were payable to the PCSPS (2009-10: £2,543,435) at one of four rates in the range 16.7 to 24.3 per cent (2009-10: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,359 (2009-10: £40,585) were paid to two of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2009-10: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

8 (b) Average number of persons employed

These figures include staff working in the Department as well as in agencies included within the consolidated departmental resource accounts. The average number of whole-time equivalent persons employed during the year was as follows:

	Permanent staff	Others	2010-11 Total	2009-10 Total
Core Department	297	20	317	311
NFA	48	4	52	45
Total	345	24	369	356

9 Other programme costs

	Note	Core Department	2010-11 £000 Consolidated	Core Department	2009-10 £000 Consolidated
Rentals under operating leases		2,651	2,676	2,460	2,460
Non-cash items					
Depreciation	13	1,447	1,512	1,899	1,914
Amortisation	14	693	748	810	813
Write back		(5)	(5)	412	418
Cost of Capital charges		-	-	69	51
Auditors' remuneration and expenses		65	98	74	110
Amounts provided / (released) in year:					
Early departure costs	18	(28)	(28)	517	517
Dilapidations	18	(169)	(169)		
Doubtful debts		-	-	(10)	(10)
		2,003	2,156	3,771	3,813
Other expenditure					
General administration		2,024	2,586	1,871	3,169
IT costs		2,047	2,191	2,103	2,297
Consultancy		1,557	1,583	2,199	2,346
Travel and subsistence		581	656	505	582
Hospitality		15	20	33	37
Other accommodation costs		2,078	2,362	2,179	2,453
		8,302	9,398	8,890	10,884
Total		12,956	14,230	15,121	17,157

10 Direct case costs

	2010-11		2009-10	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Counsel costs	4,437	4,437	4,354	4,354
Investigating accountants' costs	1,008	1,008	2,036	2,036
Other programme costs	1,581	1,581	1,504	1,504
Total	7,026	7,026	7,894	7,894

11 Income

	2010-11		2009-10	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Civil recoveries	3,515	3,515	2,472	2,472
Costs awards	675	675	370	370
Other income	-	739	505	1,914
Incentivisation	221	221	-	-
Total	4,411	5,150	3,347	4,756

12 Analysis of net operating cost by spending body

	2010-11		2009-10
	£000		£000
	Estimate	Outturn	Outturn
Core Department	36,931	35,874	39,616
NFA	4,131	4,025	3,925
Total	41,062	39,899	43,541

13 Property, plant and equipment

	Improvements to Leasehold Property	Information Technology	Furniture and Fittings	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2010	4,212	3,758	831	-	8,801
Additions	-	518	-	-	518
Disposals	(668)	-	-	-	(668)
Credit Adjustments*	-	379	16	-	395
Revaluations	-	-	-	-	-
At 31 March 2011	3,544	4,655	847	-	9,046
Depreciation					
At 1 April 2010	2,197	1,789	425	-	4,411
Charged in year	722	637	153	-	1,512
Disposals	(440)	-	-	-	(440)
Credit Adjustments*	-	271	8	-	279
Revaluations	-	-	-	-	-
At 31 March 2011	2,479	2,697	586	-	5,762
Net book value at 31 March 2011	1,065	1,958	261	-	3,284
Net book value at 31 March 2010	2,015	1,969	406	-	4,390

* Credit adjustments reflect amendments to asset values to remove credit transactions erroneously recorded on the previous asset register

Asset financing:

All assets are owned.

	Improvements to Leasehold Property	Information Technology	Furniture and Fittings	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2009	3,990	4,201	773	87	9,051
Additions	52	1,228	25	-	1,305
Disposals	-	-	-	-	-
Write-offs	-	(2,949)	-	(87)	(3,036)
Revaluations	170	1,278	33	-	1,481
At 31 March 2010	4,212	3,758	831	-	8,801
Depreciation					
At 1 April 2009	1,257	2,777	293	38	4,365
Charged in year	887	890	120	17	1,914
Disposals	-	-	-	-	-
Write-offs	-	(2,563)	-	(55)	(2,618)
Revaluations	53	685	12	-	750
At 31 March 2010	2,197	1,789	425	-	4,411
Net book value at 31 March 2010	2,015	1,969	406	-	4,390
Net book value at 1 April 2009	2,733	1,424	480	49	4,686

Asset financing:

All assets are owned.

Analysis of property, plant and equipment

The net book value of property, plant and equipment comprises:

Core Department:	£000	£000	£000	£000	£000
31 March 2011	1,065	1,937	257	-	3,259
31 March 2010	2,015	1,895	390	-	4,300
31 March 2009	2,733	1,396	480	49	4,658
NFA:					
31 March 2011	-	21	4	-	25
31 March 2010	-	74	16	-	90
31 March 2009	-	28	-	-	28

Reconciliation of cash flows to property, plant and equipment additions

	2010-11 £000 Consolidated	2009-10 £000 Consolidated
Total property, plant and equipment additions	518	1,305
Provision for dilapidations	-	-
	518	1,305
Opening property, plant and equipment accrual	62	8
Closing property, plant and equipment accrual	-	(62)
Cash flows for property, plant and equipment additions	580	1,251

14 Intangible assets

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
Cost or valuation					
At 1 April 2010	3,443	2,516	439	371	6,769
Additions	217	28	97	1,849	2,191
Disposals	-	-	-	(8)	(8)
Credit Adjustments*	589	85	-	-	674
Reclassifications	2,916	(963)	-	(1,953)	-
At 31 March 2011	7,165	1,666	536	259	9,626
Amortisation					
At 1 April 2010	3,191	737	103	-	4,031
Charged in year	388	278	82	-	748
Disposals	-	-	-	-	-
Credit Adjustments*	533	46	-	-	579
Reclassifications	16	(16)	-	-	-
At 31 March 2011	4,128	1,045	185	-	5,358
Net book value at 31 March 2011	3,037	621	351	259	4,268
Net book value at 31 March 2010	252	1,779	336	371	2,738

* Credit adjustments reflect amendments to asset values to remove credit transactions erroneously recorded on the previous asset register

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
Cost or valuation					
At 1 April 2009	3,545	1,158	-	-	4,703
Additions	-	1,419	276	371	2,066
Disposals	-	-	-	-	-
Write-offs	(102)	(61)	163	-	-
At 31 March 2010	3,443	2,516	439	371	6,769
Amortisation					
At 1 April 2009	2,718	500	-	-	3,218
Charged in year	526	238	49	-	813
Disposals	-	-	-	-	-
Write-offs	(53)	(1)	54	-	-
At 31 March 2010	3,191	737	103	-	4,031
Net book value at 31 March 2010	252	1,779	336	371	2,738
Net book value at 31 March 2009	827	658	-	-	1,485

Analysis of intangible assets

The net book value of intangible assets comprises:

Core Department:	£000	£000	£000	£000	£000
31 March 2011	3,037	615	155	259	4,066
31 March 2010	252	1,758	167	371	2,548
31 March 2009	827	658	-	-	1,485
NFA:					
31 March 2011	-	6	196	-	202
31 March 2010	-	21	169	-	190
31 March 2009	-	-	-	-	-

Reconciliation of cash flows to intangible asset additions

	2010-11	2009-10
	Consolidated	Consolidated
	£000	£000
Total intangible asset additions	2,191	2,066
Opening intangible asset accrual	62	-
Closing intangible asset accrual	(21)	(62)
Cash flows for intangible assets additions	2,232	2,004

15 Trade receivables and other current assets

15 (a) Analysis by type

	2010-11		2009-10	
	£000		£000	
Amounts falling due within one year:	Core Department	Consolidated	Core Department	Consolidated
VAT receivable	480	480	804	818
Deposits and advances	144	156	148	153
Other receivables	36	37	73	73
Prepayments and accrued income	1,336	1,336	983	983
Costs awarded to the SFO*	842	842	322	322
Provision for bad and doubtful debt	(320)	(320)	(320)	(320)
	2,518	2,531	2,010	2,029

*Included within the costs awarded receivables is the sum of £618k (2009-10: £257k) due to the Consolidated Fund once the debts are collected.

	2010-11		2009-10	
	£000		£000	
Amounts falling due after more than one year:	Core Department	Consolidated	Core Department	Consolidated
Costs awarded to the SFO	10	10	11	11
	10	10	11	11

15 (b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
Consolidated				
Balances with other Central Government bodies	515	993	-	-
Balances with bodies external to government	2,016	1,036	10	11
Total	2,531	2,029	10	11

16 Cash and cash equivalents

	2010-11		2009-10	
	Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000
Balance at 1 April	242	242	2,085	2,085
Net change in cash and cash equivalent balances	(204)	(204)	(1,843)	(1,843)
Balance at 31 March	38	38	242	242
The following balances at 31 March were held at:				
Government Banking Service	38	38	242	242
Commercial banks and cash in hand	-	-	-	-
Balance at 31 March	38	38	242	242

17 Trade payables and other current liabilities

17 (a) Analysis by type

	2010-11		2009-10	
	£000		£000	
Amounts falling due within one year:	Core Department	Consolidated	Core Department	Consolidated
Other taxation and social security	10	10	413	413
Trade payables	661	706	96	133
Accruals and deferred income	3,525	3,738	3,651	4,066
Pension providers	-	-	-	-
Non current asset accruals	21	21	104	124
Amounts issued from the Consolidated Fund for supply but not spent at year end	38	38	242	242
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
Received	-	-	-	-
Receivable	618	618	257	257
	4,873	5,131	4,763	5,235

	2010-11		2009-10	
	£000		£000	
Amounts falling due after more than one year:	Core Department	Consolidated	Core Department	Consolidated
Lease incentive accrual	126	126	298	298
	126	126	298	298

17 (b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Consolidated	£000	£000	£000	£000
Balances with other Central Government bodies	713	983	-	-
Balances with local authorities	-	11	-	-
Balances with NHS Trusts	-	16	-	-
Balances with bodies external to government	4,418	4,225	126	298
Total	5,131	5,235	126	298

18 Provisions for liabilities and charges

	Core Department			Consolidated		
	Early departure costs	Leasehold property dilapidations	Total	Early departure costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	1,639	640	2,279	1,639	640	2,279
Provided / (Released) in the year	(28)	(395)	(423)	(28)	(395)	(423)
Provisions utilised in the year	(389)	-	(389)	(389)	-	(389)
Balance at 31 March 2011	1,222	245	1,467	1,222	245	1,467
Amounts falling due within one year	363	-	363	363	-	363
Amounts falling due after one year	859	245	1,104	859	245	1,104
Total	1,222	245	1,467	1,222	245	1,467

	Core Department			Consolidated		
	Early departure costs	Leasehold property dilapidations	Total	Early departure costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	1,410	640	2,050	1,410	640	2,050
Provided / (Released) in the year	517	-	517	517	-	517
Provisions utilised in the year	(288)	-	(288)	(288)	-	(288)
Balance at 31 March 2010	1,639	640	2,279	1,639	640	2,279
Amounts falling due within one year:	393	-	393	393	-	393
Amounts falling due after one year:	1,246	640	1,886	1,246	640	1,886
Total	1,639	640	2,279	1,639	640	2,279

18.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Pensions discount rate of 2.2 per cent (2.2 per cent 2009-10) in real terms when material. It is expected that early departure payments will be incurred through to 2017-18.

18.2 Leasehold property dilapidations

The obligations under the SFO's property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from use for SFO purposes to a state specified within the property leases. The property leases expire in December 2012.

19 Capital commitments

	2010-11		2009-10	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	-	-	-	-
Intangible assets	82	82	1,778	1,778
	82	82	1,778	1,778

20 Commitments under leases

20.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	2010-11		2009-10	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Buildings:				
Not later than 1 year	2,700	2,700	2,681	2,681
Later than 1 year and not later than 5 years	2,025	2,025	4,692	4,692
Later than 5 years	-	-	-	-
	4,725	4,725	7,373	7,373
Other:				
Not later than 1 year	83	83	34	34
Later than 1 year and not later than 5 years	115	115	-	-
Later than 5 years	-	-	-	-
	198	198	34	34

The lease on the main SFO property expires on 24 December 2012. There is also a tenant only break on 24 December 2012 on the other building occupied by the SFO with an upwards only rent review on this property on 24 December 2012 in the event that the break clause is not exercised.

21 Financial instruments

As the cash requirements of the Department and the NFA are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department and the NFA are therefore not exposed to significant credit, liquidity or market risk.

The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the entities in undertaking its activities.

Interest rate risk

The financial liabilities of the department carry nil or fixed rates of interest. The entities, therefore, are not exposed to significant interest rate risk.

Currency risk

The Department is not exposed to any significant foreign currency risks.

22 Contingent liabilities

As at 31 March 2011 there were no contingent liabilities requiring disclosure.

23 Losses and special payments

23 (a) Losses statement

There were no losses during the period which in aggregate exceeded £250,000.

23 (b) Special payments

There were no special payments during the period which in aggregate exceeded £250,000.

24 Related-party transactions

The SFO is a government department with one agency, the NFA. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the SFO during the year. The SFO has had a small number of transactions with other government departments and other central government bodies.

25 Third party assets

The Department manages a small number of sterling interest-bearing accounts containing seized monies. These are not departmental assets but are held as part of the Department's law enforcement activities and, as such, do not form part of these accounts. Once legal proceedings have been completed any seized cash is forfeited to the Home Office, confiscated by the court or, if the defendant is found not guilty, returned.

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2011 was £229k (09-10 £237k).

26 Entities within the departmental boundary

As detailed in note 1.2 the NFA is an entity within the departmental boundary of the SFO with effect from 1 October 2008. The Annual Accounts of the NFA are published separately.

27 Events after the reporting period

In accordance with the requirements of IAS 10: Events after the Reporting Period, there is one event after the reporting period up to the date the Resource Accounts were authorised for issue which requires disclosure. In the public sector context the authorisation date is the same date on which the Resource Accounts were certified by the Comptroller and Auditor General.

For 2011-12 onwards the expenditure and assets of the NFA will be accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.



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ISBN 978-0-10-297459-1



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